

## Nusantara Resources

## NUS

2.0 MOZ OF GOLD RESOURCE & RISING –IN-HOUSE FEASIBILITY SETS US\$152M NPV

### Capital Structure

#### ASX Code: NUS

Shares	123.0 m.
Options	56.8 m. @ Ac \$0.4
Price	\$ 0.21
Market Cap	\$ 26 m.
Net Cash (est Oct '18)	\$ 4 m.
EV/Resource	\$ 10 \$/oz
EV/Reserve (est)	\$ 19 \$/oz

### Valuation

#### Awak Mas Summary

CAPEX	\$ 161 US\$m.
Gold price	\$ 1,233 US\$/oz
Mine life	11.2 Years
Mined Tonnes	27.0 Mt
Grade	1.35 g/t Au
Production	1.07 Moz
oz pa ~	95 Koz pa
C1 cash cost	660 US\$/oz
Post tax NPV <sub>5</sub>	\$ 144 US\$m.
Diluted NOV/share	\$ 0.44 A\$/shr

### Board

Greg Foulis	Chairman
Mike Spreadborough	Managing Director
Boyke Abidin	Director Indonesia
Rob Hogarth	Non-Exec Director
Robin Widdup	Non-Exec Director
Derek Humphry	CFO



### Investment Drivers

- ♦ **RISKED VALUATION:** Strachan Corporate models Nusantara's Awak Mas project to confirm that mining a Reserve of 1.1 moz of gold should deliver a geared NPV5 of ~A\$205 million, which compares favourably to its current market value of \$26 million.
- ♦ **SIMPLE MINING & METALLURGY:** The well engineered project aims for a cash cost of US\$643 per ounce with total costs of around US\$758 (A\$1,070) per ounce. Cost is moderated by open pit mining with a low waste to ore ratio and standard gold recovery of +90%, made commercial through high gravity gold recovery along with access to low cost grid power and skills.
- ♦ **1.1 MOZ RESERVE IN A 2 MOZ RESOURCE + EXPLORATION UPSIDE:** Recent drilling increased estimated gold Resources to 2 moz at the Awak Mas project. Nearby exploration has outlined prospects that demonstrate potential to boost Resources with high grade, near-pit mineralisation.
- ♦ **STANDARD INDONESIAN CoW:** The company's permit tenure has a 10 year stand-still position over permits post production, before mandatory partial divestment and is secured to 2050 with extensions available.
- ♦ **NEWS FLOW:** Nusantara can now proceed to formalise financing arrangements that should crystallise a value platform upon which a potential partner or shareholder might judge its involvement. The current strong gold price environment is likely to attract funding interest from potential partners.

### Project Location



### Opinion

Financial metrics reveal a low cost, undervalued development which Strachan Corporate values at 44 cents per share. Substantial exploration appeal should translate into extended mine life and enhanced value.

Company's DFS shows ~95K oz pa of gold over +11 years at a C1 cost of US\$643/oz with NPV5 of US\$152 million after capital input of ~US\$161 million, should find funding support in the domestic Indonesian market.

Peter Strachan

## Summary

### A 2moz Resource

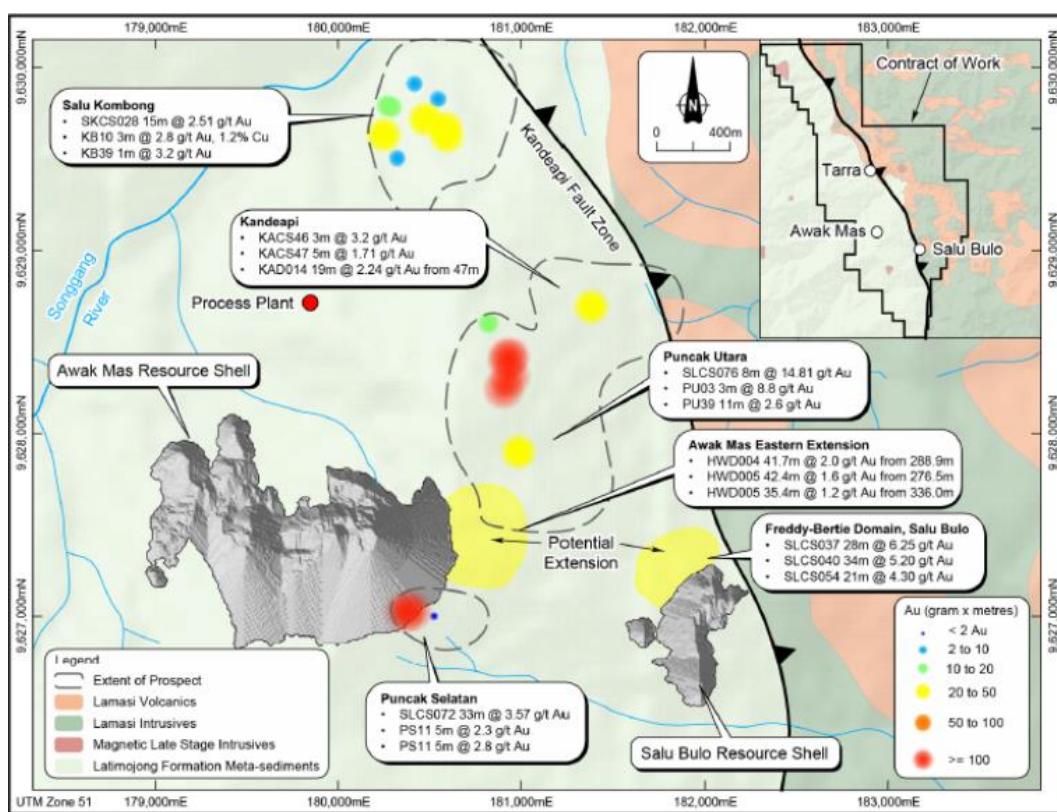
Nusantara holds 100% ownership of the Awak Mas gold project in Sulawesi, Indonesia. The company's Definitive Feasibility Study over 1.1 moz of gold in mining Reserves outlines an initial eleven year mine plan with annual average production of around 96,000 ounces of gold to deliver an NPV5 of US\$152 million (A\$215m.). Operations are forecast to produce gold at an all-in sustaining cost (AISC) of less than A\$1,100/oz after capital costs of A\$229 million, which is calculated to be repaid within 4 years of commissioning. Additional value uplift could be achieved by converting existing Resources to Reserves and by further outlining several near-mine and Brownfield exploration targets that offer easily accessed additional mineralisation, once mining of Reserves has commenced.

Mineralisation is known to occur along an 8 kilometre corridor within the company's permit, from the higher grade Salu Bulu Resource in the south, beyond the Tarra Resource in the north and west towards mineralisation in the main Awak Mas deposit.

The company is working to fund and build the project with production set to commence in early 2021.

## Awak Mas & Exploration

Drilling lifts Reserves to >1.1moz with exploration appeal



Source: Nusantara

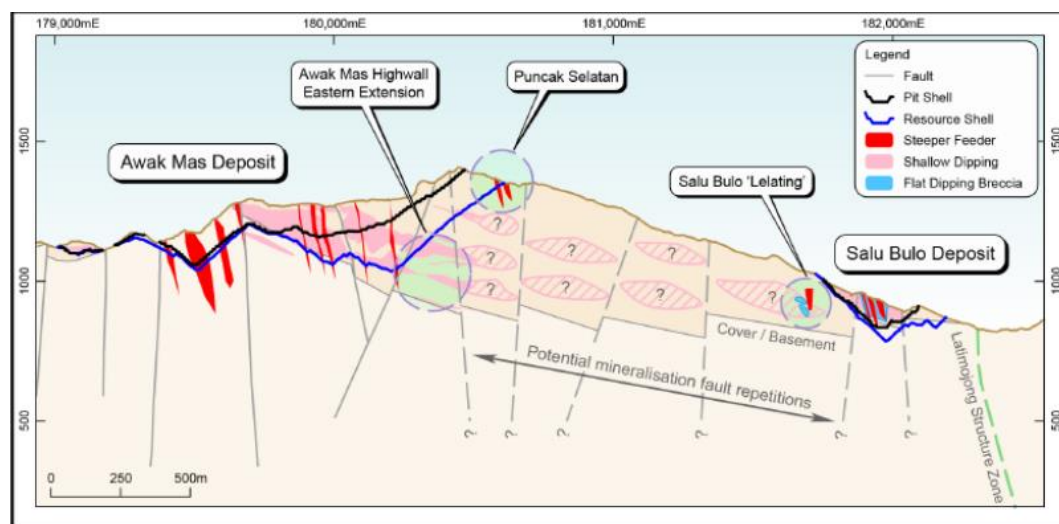
Recent drilling points the way for significant Resource expansion through Brownfield exploration and Greenfield discovery.

At the Salu Kombong prospect to the north of Awak Mas, outcrop sampling has found grades of **2.8 g/t Au plus 1.2% Cu over 3 metres** with strong geophysical features to support an extensive mineralised structure. Intercepts also include **15 metres grading 2.51 g/t Au** and a metre grading 3.2 g/t Au.

Trench sampling over the Puncak Utara prospect has delivered grades up to 11 g/t Au with continuous mineralisation along **12 metres averaging 2.39 g/t Au**, along with **8 metres grading 8.8 g/t** and **11 metres grading 2.6 g/t Au**, while trenching at the Puncak Selatan prospect, between the planned Awak Mas and Salu Bulu open pits has shown broad zones of mineralisation with grades up to 5.3 g/t Au, including **33 metres grading 3.57 g/t Au**, **5 metres grading 2.3 g/t** and **5 metres grading 2.8 g/t Au**.

Cash flow from operations is sure to be applied to follow-up early exploration successes. Exploration undertaken to date provides a high degree of confidence to Strachan Corporate that Reserves will expand from extensions to known mineralisation and conversion from Resource as for example, none of the 100Koz Tarra Resource is yet included in Reserves.

Exploration potential sets an aspiration Resource target of 5moz



Source: Nusantara

*Access to low cost skills & power reduces construction & operating costs*

*Early mining of high grade ore enhances payback*

Mineralisation occurs in two forms. Higher grade vertical feeder zones bleed gold into lower grade, strataform zones that regularly repeat. Work at Puncak Selatan demonstrates how the Awak Mas system extends towards higher grade Salu Bulu mineralisation, offering multiple opportunities for Resource extension. All that is required is more drilling, which will need to be funded from operating cash flow.

The project benefits from a low waste to ore mining ratio, access to low cost power, solid understanding of mineralisation from over 124 kilometres of drilling and relatively affordable labour costs.

Project economics are enhanced by its ability to access about 3 mt of mineralisation grading 1.6 g/t Au from the Salu Bulu deposit in early months of operation, thus boosting cash flow ahead of treating Reserve grade ore of closer to 1.4 g/t Au over the project's life.

## Valuation

The project offers low cost of operation resulting from:

- ◆ A low waste to ore ratio of about 3.5:1
- ◆ Conventional open pit mining
- ◆ An ability to achieve ~91% gold recovery at a moderate grind size at 2.5 mt pa of ore
- ◆ Simple metallurgical process
- ◆ Access to low cost power at US\$0.1 per KWh
- ◆ Access to high quality skills at a moderate rate

*Company estimates an un-g geared NPV<sub>5</sub> of A\$215m at a gold price of US\$1250/oz vs. current market capitalisation of A\$25m!*

*Discounted cash flow analysis & discounted forecast eps analysis finds fair value at between A\$0.44 & A\$0.47 per share*

Strachan Corporate modelling confirms a geared project that delivers an NPV<sub>5</sub> of A\$202 million which is a significant discount to current market value of \$26 million or ~A\$22 per ounce of gold in estimated mine Reserves.

A cash flow analysis of development at Awak Mas, based on a 30/70 equity / debt split, with new equity issued at the current market price, demonstrates an NPV per share of at least A\$0.44 per share.

Valuing projected earnings of A\$0.059 per share in the first full year of operation in 2022 on a PER of 8 times indicates fair value of \$0.40 per share after discounting by 5% per annum back to 2018.

### Awak Mas Summary

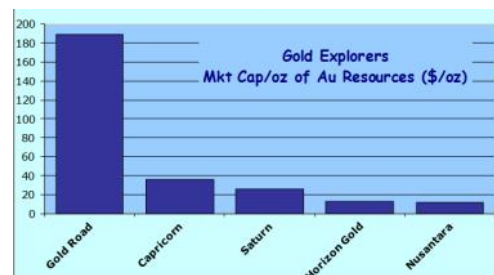
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Peer group gold project developers with smaller Resource bases than Nusantara but lower grade, or metallurgically difficult ore types, attract higher market capitalisation/Resource ratings. Nusantara's larger ore base and longer projected mine life should

afford it a premium to peer project developers, which trade at \$25-\$35 per oz of Resource, compared with Nusantara's \$10/oz

Well progressed and fully funded peer, Gold Road (GOR) trades with a market capitalisation of ~A\$190/oz of Resources, showing a path to value accretion for Nusantara once it has funded development on the back of its BFS.

The company is actively seeking funding from multiple, local Indonesian partners as well as conventional banking sources.



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